Annual Report

City of Lethbridge

90-04454/

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Mayor's Message

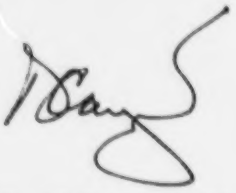
The quality of life to be found in Lethbridge has always been a source of pride for our residents. All the amenities normally found in major cities, combined with a relatively low cost of living and a safe, friendly environment, make Lethbridge one of Alberta's best-kept secrets.

Our recreational amenities are second to none, and the shopping, dining and entertainment our residents and guests enjoy rival those found anywhere. Our cultural services are the envy of communities much larger, and the educational and health care institutions located in this city serve the entire region. Senior citizens living in Lethbridge are respected and supported by numerous programs, while social service programs provide a reasonable and affordable safety net for our citizens. Civic services such as roads, transportation and utilities emphasize service and value. All these features make our city a great community in which to live, raise a family, and build a career or business.

Did you know that Lethbridge has a cost of living that is one of Canada's lowest? Affordable housing and the lowest municipal tax rates of Alberta's four largest cities mean your dollar goes farther in Lethbridge. While we are in an enviable financial position, it didn't happen by accident. Our financial stability is the result of the development, implementation and monitoring of sensible financial policies.

For Lethbridge to continue to grow and achieve its potential, we must promote our city and provide an atmosphere to encourage confident investment which creates employment opportunities. We look forward to implementing a series of initiatives to take advantage of our unique and exciting economic and geographic position. We will work toward attracting business conventions, promoting commercial linkages between existing businesses, capitalizing on free trade opportunities and utilizing our natural processing strengths.

When I think of Lethbridge, I am filled with pride in our city, in her people, and in their accomplishments. Take a moment to consider all that Lethbridge has to offer, and be proud of what you have accomplished.



David B. Carpenter, FCA
Mayor

LEFT TO RIGHT:

Alderman Ruth Elzinga

Alderman John Boras

Alderman Debbie Krampl

Alderman Don LeBaron

Alderman Art Sanford

Mayor David B. Carpenter

Alderman Pat Bunn

Alderman Ed Martin

Alderman Bob Tarleck

The City of Lethbridge is in business for one significant reason, to serve our customers. "Service is First" is not only our slogan; it is our primary focus. Our organization continues to strive to meet this focus of excellence.

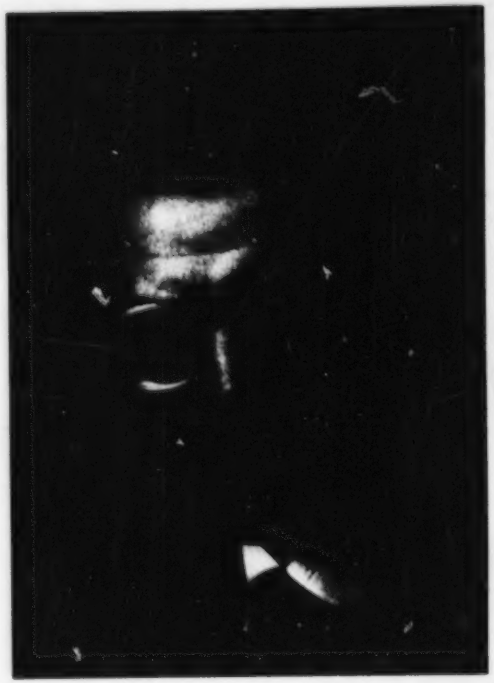
The City Manager's office is at the centre of the City's administrative activity. The Manager, along with the City Solicitor, City Clerk and City Treasurer, is appointed by Council. The Manager chairs a Board of Managers which works closely with the Mayor, Council and all staff in making sure that city services are delivered efficiently. Finally, the Manager's office is directly responsible for the Human Resources department. The Manager's function is truly that of achieving results through the actions of others; results which are a team effort.

Our City has been well managed financially over the years as evidenced by the strong financial position we maintain, and the continuing financial planning we initiate. During 1989 this planning resulted in the development of our five year Capital Improvement Program.

Our City's goal of excellence can only be achieved through a motivated and competent staff that is more involved in decision making, that has an evaluation and development policy in place, and that views the gender neutral pay classification system as positive.

The 1990's will continue to be challenging. Continued downtown revitalization, Galt Garden's improvement and major building projects including a Police Station and a Civic Administration Centre will be on the agenda. The rationalization of our local government business will also continue. The City will thoroughly review the concept of user-pay as an alternative source of funding.

Our main commitment will continue to be to serve our customers in an efficient and effective manner.



R.M. (Bob) Bartlett
City Manager

Administrative Services

Garth H. Sherwin, CA

Administrative Services includes the operations of the Assessment and Taxation, Computer Services, Finance and Purchasing departments. Specific responsibilities include receipt, disbursement and safeguarding of all funds, coordination and control of the annual budget, purchase and control of goods and materials for use by various departments, ensuring authenticity of the tax roll, and development and co-ordination of computerized information reporting. In addition, we administer the payroll for over 1,000 employees and maintain the corporate copying, mail and courier service.

The Administrative Services' team is dedicated to delivering high quality, cost effective service to the citizens of Lethbridge. All existing and future initiatives are developed in that spirit. In 1989, two major enhancements were introduced to the utility billing and collection system — namely the conversion from bimonthly to monthly billing and the conversion from manual to electronic meter reading and recording devices. Also introduced was the bar coding of utility bills and tax notices to enable our cashiers to process payments more efficiently. In the Computer Services department the computer hardware was replaced with a new generation mainframe giving us twice the capacity as its predecessor. 1989 also marked the year of the City's first five year Capital Improvement Program. This document establishes a time schedule and a financial plan which accommodates the high priority capital projects as approved by City Council.

Automation of the Material Management System at the Purchasing department will be completed in 1990. Once completed, it will provide on-line computer control of the Stores inventory, reports to assist in the tendering process, and up-to-date costing information to all city departments for job planning and budget purposes. Also scheduled to be completed in 1990 is the Assessment and Taxation department's general reassessment of all properties within Lethbridge. The revised assessments will be incorporated into the 1991 tax roll.

The members of the Administrative Services' team understand that the City of Lethbridge is in the service industry. With this in mind, we look forward to the 1990's as a period in which to continue focusing on cost effective service enhancements.

Community Services

Community Services includes a wide variety of programs which share a common purpose; improving the quality of life for the citizens of Lethbridge.

Coordinating the construction, maintenance and use of City-owned parks, recreational and cultural facilities, including the Canada Games Sportsplex, is a major responsibility of Community Services. Fire Protection, Ambulance, Cemetery and Animal Shelter services are also provided by this management group. In addition, a series of programs designed to strengthen individual, family and community life are offered largely through cooperative agreements with local agencies.

In 1989 major facility upgrading projects were completed at Adams Park Ice Centre, Yates Memorial Centre, Mountain View Cemetery and the Communication Centre in the Fire Department Headquarters. Landscaping projects to enhance the downtown, 13th Street north business district, and the Crowsnest Trail commenced in 1989 and will continue into the 1990's. Construction commenced on the nine diamond softball complex in Peenaquim Park, and also on playgrounds at Agnes Davidson School, Children of St. Martha School and the Stafford Village neighbourhood. The Canada Games Sportsplex celebrated fifteen years of operation with a new record for major event days, and hosted the coaches of the community at a recognition ceremony held in conjunction with the national "Year of the Coach" Program.

Major events planned for 1990 include hosting the Skate Canada International Figure Skating competition and the inaugural Alberta Masters Games. Scheduled major facility upgrading projects include Stan Siwik Family Pool, Lethbridge Public Library, Galt Gardens and the Fire Hall on 16th Avenue South. Park improvements are approved in the Mountain Heights area of West Lethbridge; and at Pavan Park, thanks to a generous contribution from the Miners' Library Club. Commencing in the fall of 1990, Fire and Ambulance services should respond via emergency 911 telephone service, and the Out-of-School Child Care program should be available to more families.

Community Services reflects a working partnership between the municipal government and a large number of community organizations who care about the quality of life in Lethbridge. Thanks to this partnership, and the support of senior governments, our Community Services are a model for similar cities in Canada.

Tom B. Hudson

Development Services

Tosh Kanashiro

The name Development Services does not always provide sufficient clues to explain the type of work or activities it undertakes. Created to consolidate many services offered to the development and construction industry under one management group, Development Services includes the Economic Development department, Planning department, and the Inspection and License department. This reorganization has improved both internal and external communications as we continue to simplify and reduce the time and cost of obtaining various approvals and permits required for development purposes by the City.

Development Services was busy in 1989 with the expansions of Canbra Foods and NovAtel; relocation of Ducan Industries; coordination of the revitalization of Galt Gardens and redevelopment of Festival Square; negotiating the utility expansion of southeast Lethbridge; planning of Heritage Heights and Paradise Valley Golf and Country Club and numerous promotional activities undertaken by the Economic Development department.

Development Services looks forward to 1990 in anticipation of increased activity with the development of Heritage Heights and Paradise Golf and Country Club, the finalization of an Area Redevelopment Plan for the hospital area and continuing promotion and negotiation for new development in the industrial and commercial sectors. A new initiative which will result in economic spin-off will be the creation of a new Convention Activity Coordinator to actively promote and encourage conventions and other social and recreation activities in Lethbridge.

Engineering Services

Engineering Services is responsible for the design, construction and maintenance of the Lethbridge roadway system, water treatment and distribution system, waste collection and treatment system, and stormwater drainage system. In addition, we maintain the City's equipment fleet, operate Lethbridge Transit and provide garbage collection and disposal.

In 1989 we completed the widening and rebuilding of 6th Avenue South, the reconstruction of Festival Square, the extension of watermains in north and southeast Lethbridge and the extension of a sanitary sewer main to Hardieville. We acquired and are presently using the newest technology in Graphic Information Systems and Computer Assisted Design. A number of studies undertaken in 1989 will chart our direction for the future. Included are the Central Business District Traffic and Parking Review, the West Lethbridge Stormwater Management Study, the Solid Waste Recycling Study and the Transit Hours of Service Review.

1990 will see major roadway construction projects commenced on 43rd Street and Whoop-Up Drive. In addition, continued expansion of the water and sewer infrastructure to accommodate residential development will take place. In order to protect our investment in the existing infrastructure, the watermain renewal program will be accelerated.

We are proud of our Engineering and Public Works achievements and our dedicated team looks forward to tackling the many difficult issues which will challenge us in the future.

Bryan Horrocks

Urban Services

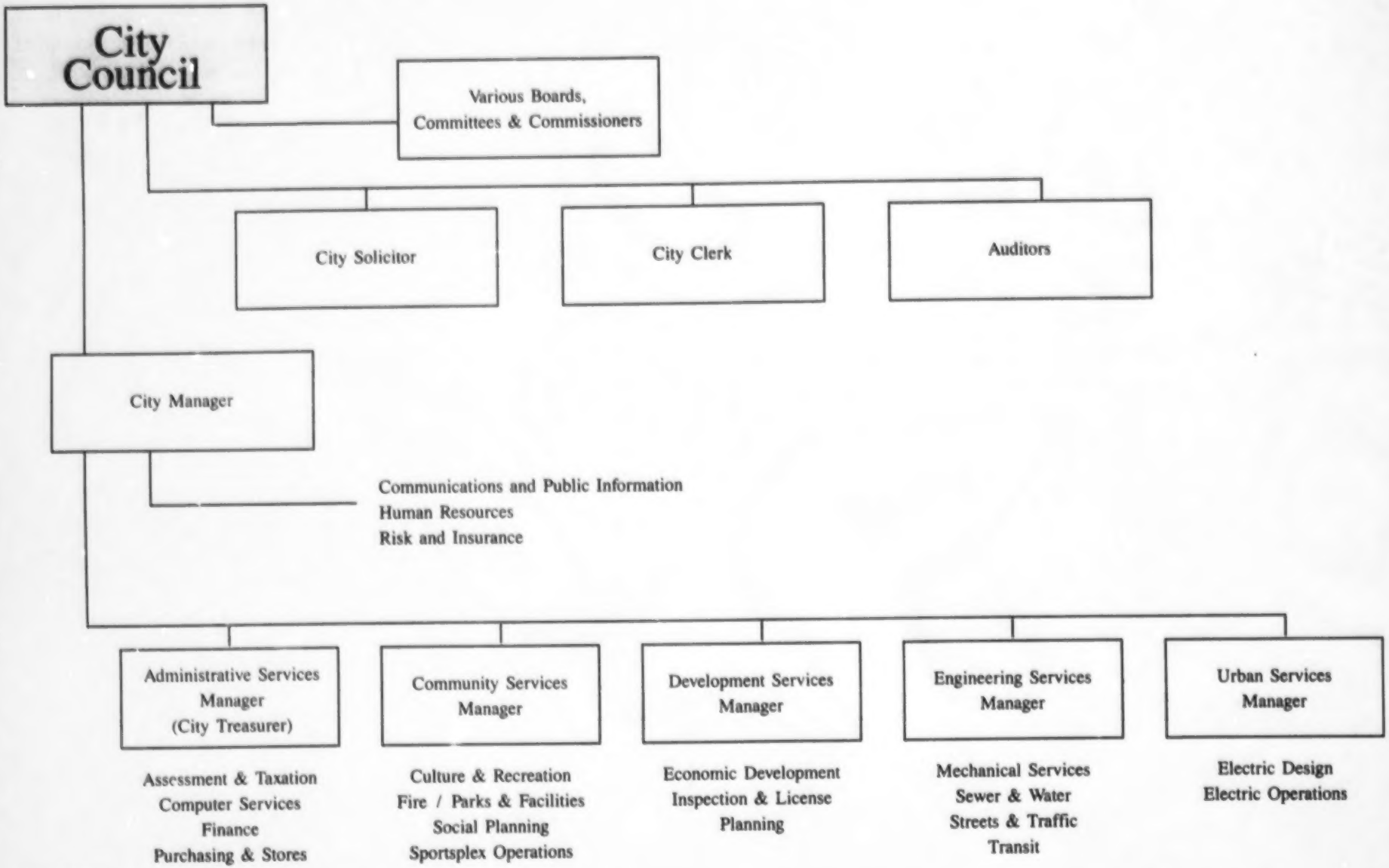
O.P. (Oli) Erdos

Urban Services administers the City of Lethbridge Electric department which is composed of Electric Design and Electric Operations. Electric Design is responsible for designing the system that supplies electricity to Lethbridge. It oversees the purchase of electricity from TransAlta Utilities and establishes the electrical rates charged by the City. Electric Operations is responsible for the construction and maintenance of the City's electric distribution system.

During 1989 Urban Services completed the first phase of the Transmission Loop project and plans to have the project completed by 1991. When completed the project will ensure an adequate electric energy supply to Lethbridge for many years to come. We also began a Cost of Service Study, scheduled for completion in 1990, that will permit Urban Services to look at developing rates based on cost rather than revenue requirements. During 1989 Urban Services maintained its involvement in Provincial utility activities by being a participant in rate hearings in front of the Public Utilities Board. This involvement guaranteed that the concerns of the utility and its customers were heard.

In 1990 Urban Services will complete a Marketing Plan which will help us to better meet the current needs of our customers. We will also continue with various maintenance projects which will ensure that electricity is supplied over a safe and stable distribution system.

Organizational Chart



Directors

Assessment & Taxation
John Dawson

Chief Librarian
Duncan Rand

Chief of Police
Terry Wauters

City Clerk
Jean Johnstone

City Solicitor
Doug Hudson

Community Development
Darrel McKenzie

Computer Services
Joe Feller

Culture & Recreation
Brian Bourassa

Economic Development
Helen Henderson

Electric Design
Jeurgen Renter

Electric Operations
Otto Lenz

Finance
Sharon Herauf, CA

Fire Chief
Lawrence Dzuren

Human Resources
Gerry Hopman

Inspection & License
Cliff Nelson

Mechanical Services
Walter Brodowski

Parks & Facilities
Ron Peterson

Planning
Felix Michna

Purchasing
Al Burghardt

Risk & Insurance
Leo VandenHeuvel

Sewer & Water
Henry Bosman

Sportsplex Operations
Ray Lambert

Streets & Traffic
Bud Hogeweide

Transit
Ed Granger

The Council and staff of the City of Lethbridge are dedicated to providing a framework within which enhanced social, cultural and economic growth can occur in our community.

We are dedicated to:

providing high quality service to our citizens as efficiently as possible;
working with our citizens to achieve our mutual goals;
the high quality of life we enjoy in Lethbridge.

We are in the delicate business of providing services to our citizens.
We will always receive some criticism for our efforts — that's part of public service.

We must remain a positive force, one that listens and is sympathetic, one that gives our best efforts.
We recognize that our citizens pay the tab and in return they should receive their moneys' worth.

When the public calls remember:

Service is First.

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Treasurer's Report

His Worship, Mayor D.B. Carpenter
and Members of Council of the
City of Lethbridge

Report on the Financial Affairs of the Corporation of the City of Lethbridge for the Year Ended December 31, 1989.

During 1989 the City of Lethbridge overcame a $416,000 deficit in the snow removal and street sanding operations caused by extreme weather conditions, and concluded the year with a nominal surplus of $56,561 (1988 $108,375) in the General Fund. This was accomplished through a conscious effort by the administration to control expenditures in other areas. Utility operations for 1989 concluded with a $1,209,604 deficit (1988 $1,453,754 surplus) which will be offset by a combination of future rate increases and a rebate from TransAlta Utilities.

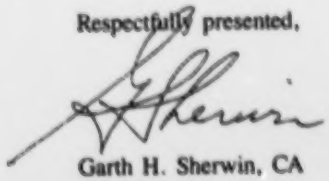
Commitment by City Council and the administration to strong financial planning was further evidenced by the preparation and adoption of the City's inaugural five year Capital Improvement Program. The 1989 program concentrated mainly on the areas of street upgrading and improvements to municipal buildings. This included such projects as the widening of 6th Avenue South, completion of the Yates Centre addition and renovations to the Adams Ice Centre. Also during the year, the infrastructure contained within the North Lethbridge Revolving Trunk Servicing Program was purchased, thereby eliminating a substantial financial guarantee and providing the City with the flexibility to negotiate service agreements with future developers.

Deteriorating infrastructure, primarily streets, bridges, sidewalks and water and sewermains, is currently recognized as one of the most critical problems facing North American municipalities. Each year, the City of Lethbridge is applying increased resources towards its preventative maintenance and renewal programs in these areas and consequently enjoys a relatively healthy position. The City received approximately $1.7 million in funding from the AMPLE program. A significant portion of these funds was expended on downtown revitalization — mainly Festival Square and Galt Gardens and the remainder used to facilitate the policy of transferring ongoing capital expenditures from the Capital Improvement Program to the annual operating budget.

Locally the housing market kept pace with inflation with house prices increasing three to four percent. Building permits ($) increased 3.8% over 1988 and new housing starts were up 14%. Land sales in the Industrial Park were promising, showing the greatest level of activity since 1983. The unemployment rate decreased to end the year at 7%. Combined property taxes and utility charges remained the lowest of Alberta's four largest cities.

As we enter the 1990's, we can look to a period of rapid change, increased challenges and continued pressures being placed on our tax base. I am certain that the City of Lethbridge, through the dedication of City Council and its administration along with the continued involvement and support from the citizens, will maintain its enviable financial position.

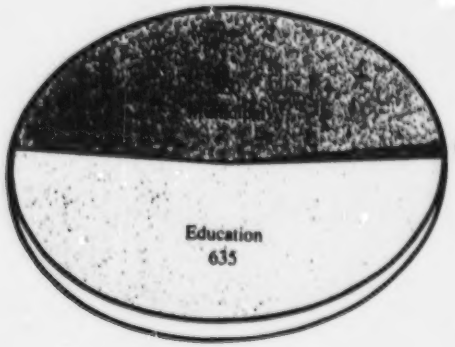
Respectfully presented,



Garth H. Sherwin, CA
City Treasurer

Financial Highlights

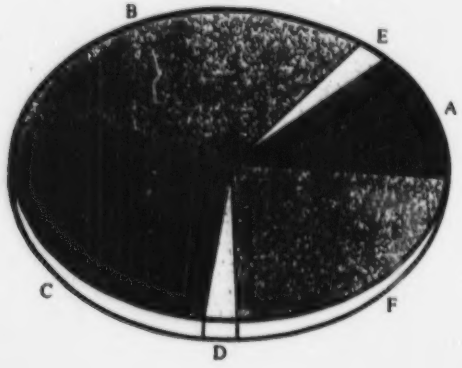
Your Tax Dollar



Requisitioning authority	
Municipal Use	
Other Authorities	
Education	

1989 TAXES FOR AN AVERAGE RESIDENCE

1989		1988	
Residential Tax Levy	Allocation of each dollar	Residential Tax Levy	Allocation of each dollar
[illegible]	[illegible]	529	.46
[illegible]	[illegible]	11	.01
[illegible]	[illegible]	601	.53
[illegible]	[illegible]	1,141	1.00

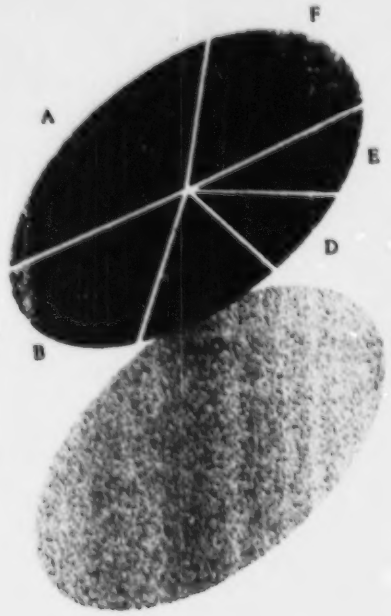


Key	Services
A	General Government
B	Protection
C	Transportation
D	Public Health and Community Support
E	Development
F	Recreation and Culture

ALLOCATION OF MUNICIPAL TAX DOLLARS

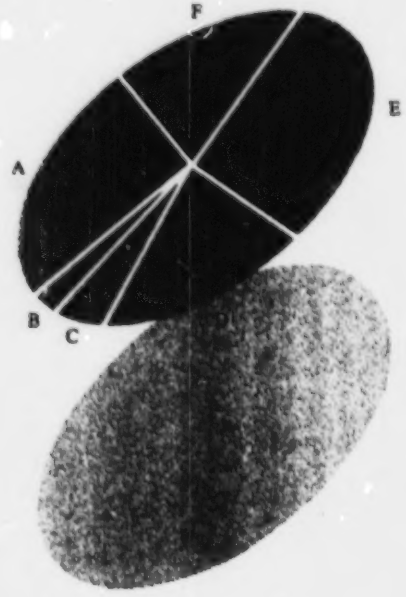
1989		1988	
Portion of each tax bill	Portion of each tax $	Portion of each tax bill	Portion of each tax $
[illegible]	[illegible]	82	.07
[illegible]	[illegible]	183	.16
[illegible]	[illegible]	125	.11
[illegible]	[illegible]	7	.01
[illegible]	[illegible]	12	.01
[illegible]	[illegible]	120	.10
[illegible]	[illegible]	529	.46

General Fund Revenues & Expenditure



REVENUES

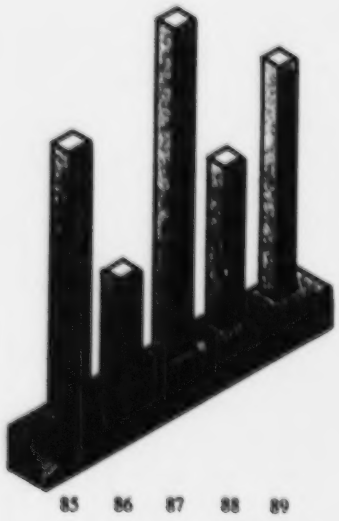
KEY		%
A	Taxation	28
B	Government Grants	17
C	Revenue from Own Sources	14
D	Utility Fund Transfers	10
E	Sale of Goods and Services	10
F	Other	21
		100



EXPENDITURES

KEY		%
A	General Government Services	25
B	Public Health and Community Support Services	3
C	Development Services	5
D	Protective Services	22
E	Transportation Services	28
F	Recreation and Cultural Services	17
		100

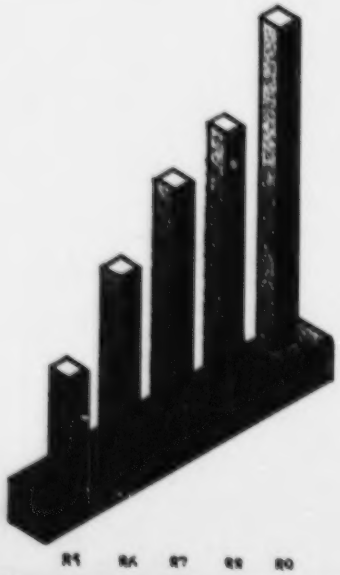
Capital Outlays 1985 to 1989 (in thousands of dollars)



CAPITAL OUTLAYS

General Fund	1985	1986	1987	1988
Highways and Infrastructure	25,529	13,876	11,668	5,847
Buildings	2,122	1,299	4,137	1,189
Vehicles and Equipment	3,052	2,271	2,606	2,559
Land	499	11	488	535
	31,202	17,457	18,899	10,130
Utility Funds				
Electric	1,688	2,462	4,044	8,101
Water and Sewer	3,139	5,218	17,032	11,476
	36,029	25,137	39,975	29,707

Long Term Debt 1985 to 1989 (in thousands of dollars)



LONG-TERM DEBT

	1985	1986	1987	1988
Tax Supported	22,122	23,977	24,605	23,704
Self Supported	32,128	34,721	39,409	42,710
Combined	54,250	58,698	64,014	66,414

Combined Financial Statements

Auditors' Report

To His Worship the Mayor and Members of City Council
The Corporation of the City of Lethbridge

We have examined the combined balance sheet of the City of Lethbridge as at December 31, 1989 and the combined statements of revenues, expenditures and accumulated operating surplus and capital financing for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the accompanying combined financial statements present fairly the financial position of the City of Lethbridge as at December 31, 1989 and the results of its operations and capital financing for the year then ended in accordance with the basis of accounting disclosed in Note 1 of the financial statements applied on a basis consistent with that of the preceding year.

Young Parkyn McNabb & Co

Chartered Accountants

Lethbridge, Alberta
March 9, 1990

Combined Balance Sheet

		1989	1988
ASSETS			
Cash		$ 168,268	$ 117,912
Taxes Receivable		1,579,170	1,531,968
Receivable from Other Governments		954,591	943,500
Trade Accounts Receivable		5,367,927	4,932,976
Accrued Interest Receivable		1,518,614	1,111,244
Capital Grants Receivable		197,771	76,147
Investments		35,861,779	45,096,800
Inventories		4,807,385	4,340,215
Other Assets		339,150	518,675
		49,794,955	58,669,437
Inventory of Saleable City Property		8,843,589	6,368,356
Fixed Assets		437,201,129	404,391,110
Subdivision Development		10,838,123	11,517,334
Due from Developers		807,479	807,479
CentreSite Investment		15,522,882	14,884,845
		473,213,212	437,969,124
Trust Investments		4,195,086	6,397,635
Loans and Advances		408,254	440,330
		4,603,350	6,837,965
		$ 527,611,517	$ 503,476,526
LIABILITIES			
Cheques Issued in Excess of Cash on Deposit		$ 133,355	$ 1,204,927
Bank Operating Loan			2,200,000
Payable to Other Governments		479,978	428,365
Trade Accounts Payable		9,051,395	10,305,043
Accrued Liabilities		577,928	717,715
Deferred Revenue		242,341	255,792
Prepaid Taxes		499,754	420,193
Deposits and Other Liabilities		1,225,316	1,142,755
Due to CentreSite		2,118,181	438,097
		14,328,348	17,112,887
Debentures Payable	Note 3	76,331,068	66,414,480
Trust Liability — Province of Alberta		4,195,086	6,397,635
Asset Valuation Allowances		911,260	872,195
Reserves	Note 6	29,926,848	32,916,911
		35,033,204	40,186,741
EQUITY			
Equity in Fixed Assets		399,754,589	375,679,124
Accumulated Operating Surplus		2,164,308	4,083,294
		401,918,897	379,762,418
		$ 527,611,517	$ 503,476,526

Combined Statement of Revenues, Expenditures and Accumulated Operating Surplus

	Operating Revenues	Operating Expenditures	Net 1989	Net 1988
GENERAL MUNICIPAL REVENUES				
Net Taxes and Grants in Lieu	$ 20,416,185	$	$ 20,416,185	$ 18,808,828
Penalties and Costs	542,162		542,162	549,841
Gas Company Franchise	1,532,942		1,532,942	1,457,303
Return on Investments	4,234,691		4,234,691	4,461,215
Other Revenue from Own Sources	53,755		53,755	65,652
Provincial Unconditional Grants	5,496,964		5,496,964	5,217,289
Allocation from Utilities				
- Water	591,916		591,916	593,209
- Electric	5,725,500		5,725,500	5,052,000
	38,594,115		38,594,115	36,205,337
FUNCTIONALIZED OPERATIONS				
General Government Services	15,456,014	22,365,950	(6,909,936)	(6,929,596)
Protective Services	3,548,040	16,590,558	(13,042,518)	(11,916,911)
Transportation Services	13,790,229	22,541,929	(8,751,700)	(8,153,745)
Public Health and Welfare Services	1,756,882	2,267,150	(510,268)	(475,898)
Development Services	2,670,887	3,424,756	(753,869)	(783,262)
Recreation and Cultural Services	4,082,413	12,651,676	(8,569,263)	(7,837,550)
Water Services	7,439,184	7,605,859	(166,675)	608,825
Sewage Services	6,309,676	6,273,226	36,450	(235,940)
Sanitation Services	2,055,616	1,784,219	271,397	418,357
Electric Services	34,389,755	35,740,531	(1,350,776)	662,512
	91,498,696	131,245,854	(39,747,158)	(34,643,208)
Total	$ 130,092,811	$ 131,245,854	$ (1,153,043)	$ 1,562,129
ACCUMULATED OPERATING SURPLUS				
Balance January 1			$ 4,083,294	$ 4,257,667
Prior Year Adjustments				
General			65,094	(3,581)
Utility			(2,134)	7,218
			62,960	3,637
Transfers				
To Mill Rate Stabilization Reserve			(104,794)	(25,139)
To General Operations				(1,500,000)
To Utility Operations			(724,109)	
To Utility Capital				(215,000)
			(828,903)	(1,740,139)
Operating (Deficit) Surplus for year				
General Surplus			56,561	108,375
Utility (Deficit) Surplus			(1,209,604)	1,453,754
			(1,153,043)	1,562,129
Balance December 31			$ 2,164,308	$ 4,083,294

Combined Statement of Capital Financing

	1989	1988
FINANCES ACQUIRED		
Prior Year's Unexpended Funds	$ 9,474,954	$ 10,260,613
Debentures, Bonds and Mortgages	14,536,580	6,671,150
Return on Investments	889,401	564,768
Sale of Fixed Assets	116,501	357,033
Provincial Capital Grants	3,837,910	8,075,172
Sale of Inventoried Land	1,000	107,974
Contributions from General Operating Reserves	3,252,047	1,069,041
Contributions from General Capital Reserves	774,889	2,661,507
Contributions from Utility Reserves	4,558,645	5,304,317
Contributions from General Operations	3,157,661	1,324,551
Contributions from Utility Operations	2,112,860	1,160,459
Contributions from Utility Surplus		215,000
Other Sources	32,470	29,518
Developer Payments and Levies	2,908,569	3,176,198
Insurance Proceeds	254,518	
Total Acquired	45,507,935	40,977,301
Overexpenditures	261,957	1,352,499
Total	$ 45,769,992	$ 42,329,800
FINANCES APPLIED		
Prior Year's Overexpenditures	$ 1,352,393	$ 231,564
Subdivision Development	1,838,087	490,417
Engineering Structures	26,622,739	14,039,997
Buildings	2,235,566	11,811,711
Machinery and Equipment	2,275,870	1,148,292
Land		534,600
Vehicles	1,348,163	1,682,380
Grants to Other Governments	42,553	145,311
Contributions to General Operating Reserves	168,358	148,364
Contributions to General Capital Reserves	1,096,508	1,836,453
Contributions to General Operations	171,263	527,986
Contributions to Utility Operations	231	121
Contributions to Utility Reserves	143,427	93,254
Other	6,050	164,396
Total Applied	37,668,000	32,854,846
Unexpended Funds	8,101,992	9,474,954
Total	$ 45,769,992	$ 42,329,800

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles, and include the following policies considered appropriate for Alberta Municipalities.

a. Combined Financial Statements —
The City of Lethbridge combined financial statements include those funds whose operations and assets are under the control of City Council. The City's accounting system is organized to segregate accounts and related transactions into functions which relate to the purpose of carrying on the specific activities. These funds are segregated into General Municipal Government Operations and Utility Service Operations which include water, sewage, sanitation and electric services.

Included in the statement of revenues and expenditures are requisitions for the following authorities not under the control of City Council:

Lethbridge Public School District No. 51
Lethbridge Catholic Separate School District No. 9
Provincial School Foundation Program
Green Acres Foundation
Alberta Planning Fund

b. Investments —
Investments are recorded at cost. Interest on investments is credited to revenues as it is earned with the exception of trust investments where interest is credited to revenues as it is received. Investment premiums and discounts are amortized proportionately over the life of the respective investments.

c. Inventories —
Inventories of land, subdivision development, equipment, materials and supplies are recorded at cost. An inventory valuation allowance for equipment, materials and supplies has been established.

Subdivision development costs, and the associated land costs, are transferred to engineering structures and written off against equity in fixed assets respectively, based on the percentage of land sales at year end to the total budgeted land sales for the subdivision plans.

d. Fixed Assets —
The City of Lethbridge follows a policy of capitalizing the acquisition cost of fixed assets regardless of the source of funding. In years prior to 1974, the acquisition costs of certain fixed assets were not capitalized but the balance shown for fixed assets represented expenditures financed by debenture borrowings less debenture principal repayments. Consequently, the balance shown for fixed assets is a composite of two methods of recording asset additions. No provision for depreciation is made in these statements.

e. Encumbrances —
The City of Lethbridge operates on an encumbrance system which provides that an account is charged with the expense as soon as the goods or services are requisitioned. A payable is recorded for those items requisitioned which have not been acquired as at the year end.

1. SIGNIFICANT POLICIES — Continued

f. Revenue Recognition —
Revenues are recorded on an accrual basis except for police parking fines, parking meter revenues and utility revenues. In May, 1989, utility billings were converted from a bi-monthly cyclical basis to a monthly cyclical basis. No accrual is recorded for revenue earned between the last cyclical billing date and the year end. Police parking fines and parking meter revenues are recorded on a cash basis.

g. Debenture Debt Interest —
Interest expense is charged to the appropriate operating expenditure as payment is made. Interest from the last payment date to the year end is not accrued in the accounts.

h. Vacation Benefits —
Vacation benefits are recorded on a cash basis.

2. ENCUMBRANCES PAYABLE

Included in the General Fund trade accounts payable are encumbrances totalling $1,013,239 (1988 $1,066,244).

3. DEBENTURE DEBT

Debenture debt payable as at December 31 is as follows:

	1989	1988
General Government	$ [illegible]	$ 36,426,145
Utilities	[illegible]	29,988,335
Total	$ [illegible]	$ 66,414,480

Payment on debenture debt for the next five years are as follows:

	1990	1991	1992	1993	1994
Principal	$ 5,258,689	$ 5,572,887	$ 5,545,619	$ 5,557,232	$ 5,469,841
Interest	8,513,705	7,947,722	7,346,977	6,734,691	6,112,236
Total	$ 13,772,394	$ 13,520,609	$ 12,892,596	$ 12,291,923	$ 11,582,077

3. DEBENTURE DEBT — Continued

The following debentures were issued and sold to the Alberta Municipal Financing Corporation in 1989:

	Term	Rate	Amount	Annual Debt Charges
General				
Highways	10 years	10.500%	$ 700,000	$ 116,380
Street Paving	5 years	10.750%	200,000	53,774
Yates Centre Upgrading	10 years	10.750%	591,600	99,404
Adams Ice Centre Upgrading	5 years	10.750%	470,000	126,369
Crowsnest Trail Landscaping	5 years	10.750%	209,400	56,302
Local Improvements				
- Property Owner's share				
Lane paving	5 years	10.750%	70,580	18,977
Total General Borrowings			2,241,580	471,206
Utilities				
Water and Sewer Revolving				
Trunk Servicing Program	15 years	10.125%	11,920,000	1,578,366
Hardieville Water Line Upgrading	5 years	10.750%	375,000	100,827
Total Utility Borrowings			12,295,000	1,679,193
Total Borrowings			$ 14,536,580	$ 2,150,399

Existing debentures mature in annual amounts to the year 2012. Interest rates on these debentures range from 6.69% to 12.50% per annum. The Province of Alberta provides an interest subsidy grant for interest paid on current debentures outstanding in excess of:

8% on issues from January 1, 1975 to March 17, 1980
9% on issues from March 18, 1980 to March 17, 1981
11% on issues from March 18, 1981 to March 31, 1982
11% for five years only on issues from April 1, 1982 to October 1, 1985

4. CONTINGENT LIABILITY

Fluor Canada Contractors Ltd. has commenced a third party claim against the City of Lethbridge for additional amounts relating to the Sewage Treatment Plant construction contracts 1 and 2. The City is disputing the entire claim and any liability as at December 31, 1989 is not determinable.

5. COMMITMENTS

a. Land Options with Alberta Housing Corporation

The City of Lethbridge has entered into an agreement with the Alberta Housing Corporation to purchase on or before October 31, 2005 lands abutting the northeast boundary of the City of Lethbridge at a price of not less than the purchase price of $1,907,640 plus interest at 12.33% compounded semi-annually to April 1, 1983, plus all other costs incurred by Alberta Housing Corporation while holding the land for the City of Lethbridge. The total outstanding balance at December 31, 1989 was $2,498,082.

b. Leases

The City of Lethbridge is committed under various operating leases for premises, data processing and office equipment to future minimum lease payments as follows:

Year	Premises	Data Processing Equipment	Office Equipment	Total
1990	$ 469,666	$ 58,117	$ 22,085	$ 549,868
1991	382,314	37,126	10,632	430,072
1992		3,450		3,450
	$ 851,980	$ 98,693	$ 32,717	$ 983,390

c. Construction Contracts

As at December 31, 1989 there were three major uncompleted construction contracts as follows:

Description	Remaining Construction Committed
Sewage Treatment Plant	$ 1,534,600
Downtown Revitalization	155,200
Westminster Revitalization	53,800

The proposed sources of funding for these future expenditures include provincial grants of $976,300 and unexpended debenture proceeds of $767,300.

6. RESERVES

	1989	1988
Balance January 1 as restated (paragraph (i) below)	$ 32,916,911	$ 32,381,363
Add: Transfer from Operations	15,616,264	15,614,977
Transfer from Capital	1,378,303	2,078,071
	49,911,478	50,074,411
Less: Transfer to Operations	11,399,059	8,122,635
Transfer to Capital	8,585,571	9,034,865
Balance December 31	$ 29,926,848	$ 32,916,911

(i) As a result of an overstatement of interest revenue and accrued interest receivable in 1988, the balance of the Mill Rate Stabilization Reserve at January 1, 1989 has been reduced by $456,466.

The most significant reserve included in the above is the Mill Rate Stabilization Reserve, which has a balance as at December 31, 1989 of $15,574,177 (1988 $19,134,886). The purpose of this reserve is to stabilize the effects of fluctuating interest revenues and General Fund operating surpluses and deficits on annual taxation requirements. All General Fund surpluses of prior years, return on investments, CentreSite equity refunds, internal financing recoveries and other allocations from General Operations are added to the reserve, and any General Fund deficits of prior years, CentreSite debt repayments, budgeted allocations to General Fund operations, one time expenditures and internal financing advances are charged to the reserve.

7. FUNCTIONALIZED OPERATIONS

Included in functionalized operations are the following items which are provided for further information:

	1989	1988
Revenues		
Grants (excluding Interest Rate Stabilization)	$ 5,204,69[illegible]	$ 6,417,480
Return on investments	$ 35[illegible]	$ 581,242
Expenditures		
Debenture debt charges	$ 12,150,70[illegible]	$ 11,609,637
Less Interest Rate Stabilization grants	896,[illegible]	1,027,385
	$ 11,253,05[illegible]	$ 10,582,252

8. COMPARATIVE AMOUNTS

Certain 1988 comparative amounts have been restated to conform with the current year presentation.